

Value-Added
Agricultural Products
and Processes Financial
Assistance Program

Semi-annual Report
on progress in VAAPFAP

FY2007
June 30, 2006 – December 31, 2006

Iowa Department
of
Economic Development

REPORT TO THE IOWA LEGISLATURE
REPORT TO THE IOWA LEGISLATURE, AS REQUIRED BY IOWA CODE SECTION 15E.111(8)

**VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL
ASSISTANCE PROGRAM (VAAPFAP)**

PURPOSE: The purpose of the Value-Added Agricultural Products and Processes Financial Assistance Program is to encourage the increased utilization of agricultural commodities produced in the State of Iowa. The program does this by providing financial assistance to new and innovative value-added agricultural businesses and to renewable fuel facilities, biomass and alternative energy as well as organic and emerging markets.

BACKGROUND

The VAAPFAP program committed funds for its first project in November of 1994, and since then has committed over \$55 million to 391 value added agricultural businesses in the state of Iowa. There were three original components to the program, Innovative Agricultural Products & Processes, Renewable Fuel and Project Creation Assistance. Attachment A is a listing of the funding activities for first half of Fiscal Year 2007.

In 2004 the program was amended to implement new legislation and several new program component areas were added. Those new components include agricultural biotechnology, biomass and alternative energy as well as organic and emerging markets. Starting in fiscal year 2006 the VAAPFAP program was to use Iowa Values Fund money for awards to eligible projects. This prompted some changes in the program. The Agricultural Products Advisory Council (APAC) still reviews VAAPFAP applications and makes recommendations, however, these recommendations now go to the Iowa Department of

Economic Development Board for Values Fund consideration. Since the awards are from the Iowa Values Fund, potential VAAPFAP award recipients now must meet wage guidelines provided for in the IVF legislation which is at least one-half the jobs created or retained must have wages that meet 130% of the county average wage including benefits.

In first half FY 2007 11 awards totaling \$3.7 million have been made. These projects represent value added activity in the areas of renewable fuels, energy, and specialty product ingredients. These 11 businesses have indicated that they will make capital investments of over \$953 million.

PRESENT

The Project Creation portion of VAAPFAP was launched in FY 1997. The purpose of this section of VAAPFAP is to help develop new business consortiums. One of the areas of assistance that has developed in Project Creation Assistance is in providing funds to help in the organizing of collaborative value-added ventures among Iowa farm operators.

The Renewable Fuels component of VAAPFAP assisted in 11 energy projects to date in FY 2007. Six of the energy projects were biodiesel facilities, four were ethanol plants and one was a bio-mass energy project. Two of the ethanol facilities are using alternative sources for heat other than natural gas, the other two facilities, Tate & Lyle and Penford Products, producing ethanol are making specialty starches in the process at well. The bio-mass project, Cornerstone BRAD, will utilize animal waste to produce pipeline quality gas.

A list of first half "07" projects are provided on Attachment "A".

PAST

There have been some successful projects that are growing and having an impact in Iowa.

The Iowa Turkey Growers, after purchasing the West Liberty processing facility, has continued to prosper and expand after some early struggles because of extremely low prices. They have become a profitable enterprise and the growers are beginning to realize benefits from the risk they had taken. Natural Products of Grinnell continues to grow and find new markets for its soy flour products. Since originally funding 3 winery projects that utilized Iowa growers, the Wine and Grape industry has continued to expand at a rapid pace.

FUTURE

With IDED taking a more prominent role in developing projects, the possibilities for new ag businesses developing in the state is positive. Renewable Fuels and Renewable Energy have rapidly become important industries in Iowa, and particularly in rural Iowa. We will continue to encourage the present agricultural industries in the state as well as producers to process more and more agricultural commodities here in Iowa, rather than elsewhere.

CONCLUSION

The Department of Economic Development would like to acknowledge the Ag Products Advisory Council (APAC) for their time and insight in reviewing applications monthly and making recommendations on funding of projects. The list of APAC Members is included as Attachment B. The Department of Agriculture and Land Stewardship has provided technical assistance to many of the applicants for help in project development, most recently through the Ag Innovation Center. We would also like to recognize the commodity organizations for their assistance in providing information on projects in their areas of expertise and their work in value-added agriculture.

Agricultural Products Advisory Council Members (APAC)
2006

Steve Lacina, Chair

4818 American Legion Road SE
Iowa City, IA 52240
Home: 319.351.4980
Cedar County Economic
Development
521 Cedar Street
Tipton, IA 52772
Office: 563.886.3761
FAX: 563.886.3762
ccedco@iowatelecom.net
Appointed by: IDALS
Term: 7.1.02 - 6.30.04

Thomas Floy

5946 Grouse Avenue
Thornton, IA 50479
Home: 641.998.2172
FAX: 641.998.2172
Appointed by: IDALS
Term: 7.1.03 - 6.30.05

Ray Gaesser

2507 Quince Avenue
Corning, IA 50841
Home: 641.333.2595
FAX: 641.333.2577
Cell: 641.344.2327
gaesserfarms@ll.net or
egaesser@ll.net
Appointed by: IDED
Term: 7.1.02 – 6.30.04

Wayne Newton

7577 21st Avenue
P.O. Box 301
Blairstown, IA 52209
Home: 319.454.6111
FAX: 319.454.0034
Office: 800.472-0675
Cell: 319.721.8209
beiff@aol.com

Appointed by: IDED
Term: 7.1.03 - 6.30.05

Denise O'Brien

59624 Chicago Road
Atlantic, IA 50022
712.243.3264
hnob@metc.net
Appointed by: IDALS
Term: 4.02-6.30.04

Sally Prickett, DVM

56816 221st Street
Glenwood, IA 51534
Business: 712.527.3632
FAX: 712.527.2103
prickett@neonramp.com
Appointed by: IDED
Term: 7.1.02 - 6.30.04

Craig Utesch

4194 100th Street
Correctionville, IA 51016
Office: 712.372.4386
Home: 712.372.4569
ceutesch@ruralwaves.us
Appointed by: IDED
Term: 7.1.03-6.30.05

Yvonne Wente

2013 180th Street
Waverly, IA 50677
Home: 319.352.1270
Conference & FAX: 319.352.3742
wenteym@yahoo.com
Appointed by: IDED
Term: 7.1.03 - 6.30.05

VAP Awards
(July 1, 2006 - December 31, 2006)

ATTACHMENT A											
	Fiscal	Award	Application	Created	Retained	Average	Other	Total	Capital	Award	
Company	Year	Date	Number	Jobs	Jobs	Wage	Jobs	Jobs	Investment	Amount	Location
Chief Energy Company, LLC	2007	07/20/2006	06-VAP-032	37	0	\$26.89	8	45	\$210,700,000	\$200,000	Sioux City (Woodbury)
Future Energy, LLC	2007	09/21/2006	07-VAP-007	28	0	\$18.37	0	28	\$58,850,000	\$400,000	Dakota City (Humboldt)
Hawkeye Bio Energy, LLC	2007	10/19/2006	07-VAP-013	37	0	\$19.75	1	38	\$59,225,000	\$400,000	Camanche (Clinton)
Maple River Energy, LLC	2007	12/21/2006	07-VAP-017	12	0	\$22.08	1	13	\$11,160,000	\$400,000	Galva (Ida)
Nishna Valley Bioenergy, LLC	2007	11/16/2006	07-VAP-015	35	0	\$17.72	0	35	\$50,300,000	\$400,000	Manilla (Crawford)
Northern Bio Energy, LLC	2007	12/21/2006	07-VAP-016	23	0	\$19.61	0	23	\$39,022,710	\$400,000	Estherville (Emmet)
Penford Products Company	2007	10/18/2006	07-VAP-014	14	23	\$23.98	0	37	\$60,800,000	\$370,000	Cedar Rapids (Linn)
Southwest Iowa Renewable Energy LLC	2007	07/20/2006	07-VAP-003	27	0	\$21.72	18	45	\$141,331,160	\$200,000	Oakland (Pottawattamie)
Soy Energy, LLC	2007	09/21/2006	07-VAP-009	25	0	\$21.96	0	25	\$45,374,000	\$400,000	Marcus (Cherokee)
Tate & Lyle Ingredients America Inc.	2007	07/20/2006	07-VAP-001	100	0	\$24.16	0	100	\$245,200,000	\$300,000	Fort Dodge (Webster)
The Cornerstone Brad, LLC	2007	10/19/2006	07-VAP-012	58	0	\$18.82	16	74	\$21,845,000	\$200,000	Hull (Sioux)
				396	23		44	463	\$943,807,870	\$3,670,000	